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CONTACT: GLENN BRIERE
(617) 727-6200, EXT. 123

**DeNUCCI SAYS MEDICAID PROGRAM
LACKS ADEQUATE FRAUD DETECTION**

State Auditor Joe DeNucci today issued a report warning that the Commonwealth's Medicaid program, MassHealth, which serves close to 1 million people and pays annual benefits totaling \$6.3 billion, does not have the resources, oversight and fraud detection systems to effectively detect and deter Medicaid fraud.

DeNucci's report found that there is little assurance that safeguards exist to prevent loss, theft or misuse in MassHealth, which accounts for 25 percent of all state expenditures.

Among the findings:

- Fraud and abuse detection during 2001-2003 resulted in the recovery of only \$17.2 million, compared to the \$15 billion that was expended. According to the United States Government Accountability Office (GAO) and health industry sources, 3 to 10 percent of total health care costs are lost to fraud and abuse.
- Oversight activities are decentralized and do not include an independent audit function.
- Provider desk audits are few and on-site audits are seldom performed.
- Reviews of 26,000 providers in the re-credentialing process were suspended in 2001 due to budget constraints.
- For the three years covered by DeNucci's review, only 51 provider fraud and abuse cases were referred to the Massachusetts Medicaid Fraud Control Unit in the Office of the Attorney General.
- The Program Integrity Unit at UMass Medical School, which is principally responsible for fraud and detection, had only two full-time employees in fiscal year 2004, when 75 million claims were filed.

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DeNucci's report noted that in January of 2003, GAO, for the first time, placed the U.S. Medicaid program on its list of government programs that are at "high risk" of fraud, waste, abuse or mismanagement.

DeNucci's review recognized the efforts made to administer this massive program, as well as certain improvements and enhancements that have been made in the area of fraud, abuse detection and prevention, but noted that oversight efforts must be made a priority because Medicaid remains vulnerable to fraud and abuse.

"The resources dedicated to the detection of fraud in our Medicaid program do not match the potential scale of the problem," said DeNucci. "The program is so vast in size and dollars that oversight at every level needs to be supported and enhanced. Not only does fraud and abuse of MassHealth hurt taxpayers, but it compromises a program that provides essential health care services to the needy."

DeNucci's report called for MassHealth to commence an aggressive program to detect and deter fraud. His recommendations include designing and implementing controls to prevent fraudulent activities, and expanding the use of its existing automated system to identify suspicious provider behavior.

DeNucci also called on MassHealth to establish an internal audit unit to monitor departmental activities and to conduct unannounced provider audits. DeNucci said provider audits not only would be valuable in detecting fraud and abuse, but would also have a deterrent effect. Other recommendations include the re-credentialing of all providers to ensure that they have appropriate credentials, and better utilizing the resources of external investigative agencies by identifying and increasing referrals of suspected fraud and abuse.

DeNucci concluded: "With Medicaid enrollment increasing and program costs predicted to double in the next 10 years, it is critical that we do everything possible to control costs. Stronger program monitoring and oversight is essential to that effort."